



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services
1100 Commerce, Room 4A5
Dallas, TX 75242

July 12, 1996

Our Reference: CIN: A-06-96-00002

Mr. Tom Dalton, Director
Arkansas Department of Human Services
P.O. Box 1437, Slot 329
Little Rock, Arkansas 72203

Dear Mr. Dalton:

Enclosed are two copies of our final report entitled, "Review of Arkansas Department of Human Services' Reimbursement for Clinical Laboratory Services Under the Medicaid Program." The Arkansas Department of Human Services (State Agency) allowed excessive reimbursements estimated to total \$167,162 for (1) chemistry and urinalysis tests that should have been bundled into a panel for payment and (2) duplicate payments of hematology and urinalysis tests. Controls were not effective in detecting unallowable claims for laboratory tests that should have been claimed as one test and duplicated claims. The State agency did not have procedures or controls in place in its claims processing system that would identify and reject these types of overpayments.

We recommended that the State agency: (1) install edits to detect and prevent payments for unbundled services and billings which contain duplicative tests; (2) consider obtaining recoveries from providers with a large number of payment errors; and (3) make adjustments for the Federal share of the amounts recovered by the State agency on its Quarterly Report of Expenditures to the Health Care Financing Administration (HCFA).


The State agency concurred with our recommendation to install edits to ensure appropriate payments for laboratory tests. The State agency chose not to identify and recover specific overpayments estimated to total \$167,162, but will implement editing procedures which should correctly pay future claims that are either unbundled or duplicated. We continue to believe that the State Agency should consider recovering overpayments from providers with a large number of overpayments if this is administratively feasible.

Copies of this report are being sent to other interested Department officials. If you have any questions, we can be reached at (214) 767-8415.

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To facilitate identification, please refer to the referenced common identification number in all correspondence relating to this review.

Sincerely yours,


for Donald L. Dille
Regional Inspector General
for Audit Services

Enclosure

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF ARKANSAS DEPARTMENT
OF HUMAN SERVICES'
REIMBURSEMENT FOR CLINICAL
LABORATORY SERVICES UNDER
THE MEDICAID PROGRAM**



JUNE GIBBS BROWN
Inspector General

JULY 1996
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Arkansas Department of Human Services
P. O. Box 1437, Slot 329
Little Rock, AR 72203

Dear Mr. Dalton:

This report presents the results of our review of Arkansas Department of Human Services' (State agency) reimbursement for clinical laboratory services under the Medicaid program. The objective of our review was to determine the adequacy of procedures and controls over the processing of Medicaid payments to providers for clinical laboratory tests. Our review was limited to clinical laboratory services involving chemistry, hematology, and urinalysis tests.

The State agency allowed excessive reimbursements for (1) chemistry and urinalysis tests that should have been bundled into a panel for payment and (2) duplicate payments of hematology and urinalysis tests. Controls were not effective in detecting unallowable claims for laboratory tests that should have been claimed as one test and duplicated claims. The State agency did not have procedures or controls in place in its claims processing system that would identify and reject these types of overpayments.

We randomly selected 150 claims with potential payment errors from a population of calendar years (CYs) 1993 and 1994 paid claims valued at \$497,625. Of the 150 sampled items, 105 were overpaid. Each represented a potential payment error in which the State agency paid a provider for clinical laboratory tests on an individual test basis instead of as part of a group, or were duplicative of each other. Projecting the results of our statistical sample over the population using standard statistical methods, we estimate that the State agency overpaid providers \$167,162 for chemistry, hematology and urinalysis tests. At the 90 percent confidence level, the precision of this estimate is plus or minus 28.74 percent.

We are recommending that the State agency: (1) install edits to detect and prevent payments for unbundled services and billings which contain duplicative tests; (2) consider obtaining recoveries from providers with a large number of payment errors; and (3) make adjustments for the Federal share of the amounts recovered by the State agency on its Quarterly Report of Expenditures to the Health Care Financing Administration (HCFA).

The State agency responded to our draft report in a letter dated June 18, 1996. In that response, the State agency concurred with our recommendation to install edits to ensure appropriate payments for laboratory tests that are either unbundled or duplicated. The State agency chose not to identify and recover overpayments. We continue to believe that the State Agency should consider recovering overpayments from providers with a large number of overpayments if this is administratively feasible.

INTRODUCTION

BACKGROUND

Clinical laboratory services include chemistry, hematology and urinalysis tests. Laboratory tests are performed on a patient's specimen to help physicians diagnose and treat ailments. The testing may be performed in a physician's office, a hospital laboratory, or by an independent laboratory.

Chemistry tests involve the measurement of various chemical levels in the blood while hematology tests are performed to count and measure blood cells and their content. Chemistry tests frequently performed on automated equipment are grouped together and reimbursed at a panel rate. Chemistry tests are also combined under problem-oriented classifications (referred to as organ panels). Organ panels were developed for coding purposes and are to be used when all of the component tests are performed. Many of the component tests of organ panels are also chemistry panel tests.

Hematology tests that are grouped and performed on an automated basis are classified as profiles. Automated profiles include hematology component tests such as hematocrit, hemoglobin, red and white blood cell counts, platelet count, differential white blood cell counts and a number of additional indices. Indices are measurements and ratios calculated from the results of hematology tests. Examples of indices are red blood cell width, red blood cell volume and platelet volume.

Urinalysis tests involve physical, chemical or microscopic analysis or examination of urine. Urinalysis tests involve the measurement of certain components of the sample. A urinalysis may be ordered by the physician as a complete test which includes a microscopy, a urinalysis without the microscopy, or the microscopy only.

Within broad Federal guidelines, States design and administer the Medicaid program under the general oversight of HCFA. Claims processing is the responsibility of a designated Medicaid agency in each state. Many States use outside fiscal agents to process claims. Arkansas uses Electronic Data Systems (EDS) as its fiscal agent. States may elect to participate in the

HCFA Medicaid Statistical Information System (MSIS). The MSIS is operated by HCFA to collect Medicaid eligibility and claims data from participating States. States participating in MSIS provide HCFA with two quarterly computer files consisting of an eligibility and a paid claims file. The eligibility file contains specified data for persons covered by Medicaid and the paid claims file contains adjudicated claims for medical services reimbursed by Title XIX funds.

The State Medicaid Manual, Section 6300.1 states that Federal matching funds will not be available to the extent a state pays more for outpatient clinical laboratory tests performed by a physician, independent laboratory, or hospital than the amount Medicare recognizes for such tests. In addition, Section 6300.2 states that payment for clinical laboratory tests under the Medicaid program cannot exceed the amount recognized by the Medicare program. Under Medicare, clinical laboratory services are reimbursed at the lower of the fee schedule amount or the actual charge. Under Medicare, the carrier (the contractor that administers Medicare payments to physicians and independent laboratories) maintains the fee schedule and provides it to the state Medicaid agency in its locality.

SCOPE

Our review was conducted in accordance with generally accepted government auditing standards. The objective of our review was to determine the adequacy of procedures and controls over the processing of Medicaid payments to providers by the State agency for clinical laboratory services. Our review was limited to clinical laboratory services involving chemistry, hematology, and urinalysis tests. For the purposes of this review, we used the word "claim" to indicate instances where two or more line items on one or more claims represented a potentially unbundled or duplicate charge.

To accomplish our objective, we:

- o reviewed State agency policies and procedures for processing Medicaid claims from providers for clinical laboratory services;
- o extracted from HCFA's MSIS, CYs 1993 and 1994 paid claims files, payments totaling \$5,406,695 for chemistry, hematology, and urinalysis tests. Of this amount, \$497,625 represented claims that contained potentially unbundled or duplicate charges for chemistry, hematology, and urinalysis tests (See Appendices A and B). We tested the reliability of computer generated output by comparing data to source documents for our sampled items. We did not, however, assess the completeness of data in HCFA's MSIS files nor did we evaluate the adequacy of the input controls;

- o selected a random statistical sample of 50 chemistry claims from a population of 14,126 chemistry tests valued at \$334,846; 50 hematology claims from a population of 5,390 hematology tests valued at \$99,823; and 50 urinalysis claims from a population of 7,221 urinalysis tests valued at \$62,956. These potentially unbundled or duplicate charges were taken from a universe of payments representing claims for more than one panel or for a panel and individual tests for the same recipient on the same date of service by the same provider;
- o reviewed the randomly selected claims and supporting documentation from the State agency to determine the propriety of the payment; and
- o utilized a variable sample appraisal methodology to estimate the amount of overpayment for chemistry, hematology and urinalysis tests.

Our review of internal controls was limited to an evaluation of that part of the claims processing function that related to the processing of claims for clinical laboratory services. Specifically, we reviewed State agency policies and procedures and instructions to providers related to the billing of clinical laboratory services. We also reviewed State agency documentation relating to manual and automated edits for bundling of chemistry and urinalysis tests and the detection of duplicate claims for both hematology and urinalysis tests. We limited our review to claims paid by the State agency during CYs 1993 and 1994. Details of the methodology used in selecting and appraising the sample are contained in Appendix A to this report.

We found that the items tested were in compliance with applicable laws and regulations except for the matters discussed in the RESULTS OF REVIEW section of this report. We performed our review between October 3, 1995 and March 7, 1996. During this period, we visited the State agency office in Little Rock, Arkansas.

RESULTS OF REVIEW

The State agency's system did not have adequate procedures or controls to ensure that reimbursements for clinical laboratory tests under Medicaid did not exceed amounts recognized by the Medicare program. Specifically, providers received excessive reimbursements for chemistry and urinalysis tests that should have been bundled into a panel for payment. In addition, the State agency did not have procedures or edits to detect and prevent duplicate payments of hematology and urinalysis tests.

Using computer applications, we extracted applicable chemistry, hematology, and urinalysis tests from HCFA's MSIS database for CYs 1993 and 1994. This extract yielded a total of \$5,406,695 in payments for chemistry panel tests, hematology profile tests and urinalysis tests.

This total consisted of 146,235 chemistry panel tests with a value of \$1,750,642; 347,493 hematology tests valued at \$2,523,509; and 250,212 urinalysis tests valued at \$1,132,544 (See Appendices A and B).

We randomly selected 150 claims (50 claims with chemistry panel tests, 50 claims with hematology tests, and 50 claims with urinalysis tests) valued at \$2,591 from the sample population of CYs 1993 and 1994 paid claims files valued at \$497,625. Of the 150 sampled claims, 105 were overpaid. Projecting the results of our statistical sample over the population using standard statistical methods, we estimate that the State agency overpaid providers \$167,162 for chemistry, hematology and for urinalysis tests during the two-year audit period. At the 90 percent confidence level, the precision of this estimate is plus or minus 28.74 percent.

Chemistry Panel Tests

Of the 50 claims reviewed, 32 claims had unbundled charges for chemistry tests caused by the State agency not having an edit or having an edit which covered 3 or more tests, not 2 tests frequently found in the sample. These 50 claims were selected on a scientific random basis from a population of 14,126 claims containing potentially unbundled chemistry panel tests valued at \$334,846. Based on our statistical sample, we estimate that the State agency overpaid providers \$124,543 for unbundled chemistry panel tests.

Section 5114.1.L.2 of the Medicare Carriers Manual states that if the carrier receives claims for laboratory services in which the physician or laboratory has separately billed for tests that are available as part of an automated battery test, and, in the carrier's judgement, such battery tests are frequently performed and available for physicians' use, the carrier should make payment at the lesser amount for the battery.

The limitation that payment for individual tests not exceed the payment allowance for the battery is applied whether a particular laboratory has or does not have the automated equipment.

The State agency's payment system properly grouped (bundled), or appropriately processed for payment, 18 sampled claims. The remaining 32 sampled claims were not appropriately paid. Specifically, 30 claims with unbundled charges included: 22 claims with two individual chemistry panel tests; 5 claims with two chemistry panels; and 3 claims with one chemistry panel and one individual chemistry panel test. The two (2) remaining claims exceeded either the Medicaid or Medicare limit.

Hematology Profiles

Of the 50 claims reviewed, 31 claims had duplicate hematology profiles caused by the State agency not having edits. These overpayments occurred when providers submitted claims for duplicate hematology profiles or for a profile and an individual test which was included in the profile. These 50 claims were selected on a scientific random basis from a population of 5,390 claims containing hematology tests valued at \$99,823. Based on our statistical sample, we estimate that the State agency overpaid providers \$20,833 for duplicated hematology tests.

Section 7103 of the Medicare Carriers Manual states that a provider is liable for overpayments it receives. In addition, Section 7103.1 B states that the provider is liable in situations when the error is due to overlapping or duplicate bills.

Hematology tests are performed and billed in groups or combinations of tests known as profiles. The hematology tests are grouped into profiles of specific hematology tests; however, hematology tests can also be performed individually. Duplicate billings occur when individual hematology tests are billed for the same patient for the same date of service as a hematology profile which includes the individual test. Duplicate billings also occur when two hematology profiles are billed for the same patient and same date of service. Another situation which creates a duplicate billing is hematology indices are billed with a hematology profile. Hematology indices are calculations and ratios calculated from the results of hematology tests. Since hematology indices are calculated along with the performance of each hematology profile, a separate billing for hematology indices results in a duplicate billing.

The State agency's payment system properly processed for payment 19 sampled claims. The remaining 31 sampled claims were not appropriately paid. Specifically, 29 claims with duplicate charges included: 17 claims with two profiles; and 12 claims with an individual test and a profile. The remaining two (2) claims exceeded either the Medicaid or Medicare limit.

Urinalysis

Of the 50 claims reviewed, 42 claims had unbundled or duplicate urinalysis tests caused by the State agency not having edits. These 50 claims were selected on a scientific random basis from a population of 7,221 claims containing urinalysis tests valued at \$62,956. Based on our statistical sample, we estimate that the State agency overpaid providers \$21,786 for unbundled or duplicated urinalysis tests.

A complete urinalysis includes testing for components and a microscopic examination; however, providers can perform and bill different levels of urinalysis testing. In this regard, they can perform a urinalysis with microscopic examination, a urinalysis without microscopic examination or a microscopic examination only. Based on the test performed and billed, unbundling or duplication of billing can occur among these tests.

Section 5114.1 F of the Medicare Carriers Manual states that if a urinalysis examination which does not include microscopy (81002) and a urinalysis microscopy examination (81015) are both billed, payment should be as though the combined service (81000 - urinalysis with microscopy) had been billed.

The State agency's payment system properly processed 8 claims for payment. The remaining 42 sampled claims were not appropriately paid. Specifically, 41 claims with either unbundled or duplicate charges included: 32 claims with two individual tests; 6 claims with individual tests and a combined service test; and 3 claims with two combined service tests. The one (1) remaining claim exceeded the Medicare limit.

RECOMMENDATIONS

We recommend that the State agency:

- (1) install edits to detect bundling errors and billings which contain duplicative tests;
- (2) consider obtaining recoveries from providers with a large number of payment errors; and
- (3) make adjustments for the Federal share of amounts recovered by the State agency on its Quarterly Report of Expenditures to HCFA.

State Agency Comments

The State agency concurred with our recommendation to install edits to ensure appropriate payments for chemistry, hematology and urinalysis laboratory tests. They plan to begin using an unbundling software package, commonly known as "Claim-Chek", around September 1996. The State agency intends to implement editing procedures prospectively, and does not intend to retrospectively review laboratory tests for overpayments and make collections. The full text of the State agency's comments is presented in Appendix C.

OIG Response

We support the State's efforts to install edits to ensure appropriate payments for laboratory services. State officials verbally indicated they will compare the OIG identified unbundled laboratory procedure codes to the "Claim-Chek" unbundling software. This additional step will ensure that all potentially unbundled or duplicate laboratory procedures will be correctly paid after the new software is in use. We continue to believe that the State Agency should consider recovering overpayments from providers with a large number of overpayments if this is administratively feasible.


Page 8 - Mr. Tom Dalton, Director

Final determination as to actions taken on all matters will be made by the HCFA action official named below. We request that you respond to the HCFA action official within 30 days from the date of this report.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), HHS OIG Office of Audit Services reports issued to the Department grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein, is not subject to exemptions of the Act, which the Department chooses to exercise. (See 45 CFR, Part 5.) To facilitate identification, please refer to the above common identification number in all correspondence.

Sincerely yours,



 DONALD L. DILLE
Regional Inspector General
for Audit Services

Enclosure

Action Official:

Rose Crum-Johnson
Regional Administrator
Health Care Financing Administration
1200 Main Tower Building, Room 2000
Dallas, Texas 75202

SAMPLE METHODOLOGY

From the Health Care Financing Administration's (HCFA) Medicaid Statistical Information System (MSIS) paid claims files for calendar years (CYs) 1993 and 1994, we utilized computer applications to extract all claims containing:

1. automated multichannel chemistry panels and panel tests for chemistry procedure codes listed in the Physicians' Current Procedural Terminology (CPT) handbook. (See Appendix B)
2. hematology profiles and component tests normally included as part of a hematology profile for hematology procedure codes listed in the CPT handbook. (See Appendix B)
3. urinalysis and component tests listed in the CPT handbook. (See Appendix B)

The above file extract yielded a total of \$5,406,695 in payments for chemistry, hematology, and urinalysis tests in CYs 1993 and 1994. This total consisted of 146,235 records totaling \$1,750,642 relating to chemistry panel tests, 347,493 records totaling \$2,523,509 relating to hematology profile tests, and 250,212 records totaling \$1,132,544 relating to urinalysis tests.

We then performed computer applications to extract all records for the same individual for the same date of service with HCFA's Common Procedure Coding System (HCPCS) line item charges for:

1. more than one different chemistry panel; a chemistry panel and at least one individual panel tests; or two or more individual panel tests.
2. more than one automated hematology profile under different profile codes; more than one unit of the same profile; a component normally included as part of a profile in addition to the profile; or hematology indices and a profile.
3. a complete urinalysis test and microscopy; a urinalysis without microscopy; or a microscopy only.

This extract resulted in a sample population totaling \$497,625 consisting of three strata. The first stratum consisted of 14,126 claims totaling \$334,846 for potentially unbundled chemistry panel tests. The second stratum consisted of 5,390 claims totaling \$99,823 for potentially duplicate hematology profile tests. The third stratum consisted of 7,221 claims totaling \$62,956 for urinalysis tests with potentially unbundled or duplicate tests. Each claim is a potential payment error in which the State agency paid providers for clinical laboratory tests (on behalf of the same beneficiary on the same date of service) which were billed individually instead of as part of a group, or were duplicative of each other.

SAMPLE METHODOLOGY

On a scientific stratified selection basis, we examined 150 claims from three strata. The first stratum consisted of a randomly generated statistical sample of 50 potentially unbundled chemistry panel tests totaling \$1,226. The second stratum consisted of a randomly generated statistical sample of 50 potentially duplicate hematology profile or profile component tests totaling \$946. The third stratum consisted of a randomly generated statistical sample of 50 potentially unbundled or duplicate urinalysis tests totaling \$419.

For the sample items, we requested and reviewed supporting documentation from the State agency consisting of copies of physician, hospital or independent laboratory claims, electronic paid claims detail for claims submitted electronically, explanation of benefits paid, and related paid claims history.

We utilized a standard scientific estimation process to quantify overpayments for unbundled chemistry panel tests and duplicate hematology profile tests, and unbundled or duplicate urinalysis tests as shown in the schedule below.

Stratum	Number of Items	Number Sampled	Examined Value	Number of Errors	Error in Sample	Estimated Recovery
Chemistry Tests	14,126	50	\$1,226	32	\$441	\$124,543
Hematology Tests	5,390	50	\$946	31	\$193	\$20,833
Urinalysis Tests	7,221	50	\$419	42	\$151	\$21,786

The results of the scientific sample of Stratum 1, chemistry tests, disclosed that 32 of 50 claims we reviewed represented overpayments for unbundled chemistry panel tests. Projecting the results of the statistical sample over the population using standard statistical methods, we estimate that \$124,543 paid for unbundled chemistry panel tests can be recovered. At the 90 percent confidence level, the precision of this estimate is plus or minus 39.08 percent.

The results of the scientific sample of Stratum 2, hematology tests, disclosed that 31 of the claims we reviewed contained duplicate payments for hematology profiles and profile component tests. Projecting the results of the statistical sample over the population using standard statistical methods, we estimate that \$20,833 in duplicate payments for hematology profile tests can be recovered. At the 90 percent confidence level, the precision of this estimate is plus or minus 22.74 percent.

SAMPLE METHODOLOGY

The results of the scientific sample of Stratum 3, urinalysis tests, disclosed that 42 of the claims we reviewed represented overpayments for unbundled and duplicate urinalysis tests. Projecting the results of the statistical sample over the population using standard statistical methods, we estimate that \$21,786 paid for unbundled and duplicate urinalysis tests can be recovered. At the 90 percent confidence level, the precision of this estimate is plus or minus 12.45 percent.

AUTOMATED MULTICHANNEL CHEMISTRY PANEL TEST HCPCSChemistry Panel CPT Codes

80002	1 or 2 clinical chemistry automated multichannel test(s)
80003	3 clinical chemistry automated multichannel tests
80004	4 clinical chemistry automated multichannel tests
80005	5 clinical chemistry automated multichannel tests
80006	6 clinical chemistry automated multichannel tests
80007	7 clinical chemistry automated multichannel tests
80008	8 clinical chemistry automated multichannel tests
80009	9 clinical chemistry automated multichannel tests
80010	10 clinical chemistry automated multichannel tests
80011	11 clinical chemistry automated multichannel tests
80012	12 clinical chemistry automated multichannel tests
80016	13-16 clinical chemistry automated multichannel tests
80018	17-18 clinical chemistry automated multichannel tests
80019	19 or more clinical chemistry automated multichannel tests
80050	General Health Panel
80058	Hepatic Function Panel

Chemistry Tests Subject to Paneling (34 CPT Codes)

1.	Albumin	82040	
2.	Albumin/Globulin Ratio	84170	
3.	Bilirubin Total or Direct	82250	
4.	Bilirubin Total and Direct	82251	
5.	Calcium	82310, 82315, 82320, 82325	
6.	Carbon Dioxide Content	82374	
7.	Chlorides	82435	
8.	Cholesterol	82465	
9.	Creatinine	82565	
10.	Globulin	82942	
11.	Glucose	82947	
12.	Lactic Dehydrogenase (LDH)	83610, 83615, 83620, 83624	
13.	Alkaline Phosphatase	84075	
14.	Phosphorus	84100	
15.	Potassium	84132	
16.	Total Protein	84155, 84160	
17.	Sodium	84295	
18.	Aspartate Aminotransferase (AST, SGOT)		84450, 84455
19.	Alanine Aminotransferase (ALT, SGPT)		84460, 84465
20.	Blood Urea Nitrogen (BUN)	84520	
21.	Uric Acid	84550	
22.	Triglycerides	84478	
23.	Creatinine Phosphokinase (CPK)	82550, 82555	
24.	Glutamyl Transpeptidase, Gamma	82977	

AUTOMATED HEMATOLOGY PROFILE AND COMPONENT TEST HCPCSHematology Component Test CPT Codes

Red Blood Cell Count (RBC) only	85041
White Blood Cell Count (WBC) only	85048
Hemoglobin, Colorimetric (Hgb)	85018
Hematocrit (Hct)	85014
Manual Differential WBC Count	85007
Platelet Count (Electronic Technique)	85595

Additional Hematology Component Tests - Indices

Automated Hemogram Indices (one to three)	85029
Automated Hemogram Indices (four or more)	85030

Hematology Profile CPT Codes

Hemogram (RBC, WBC, Hgb, Hct and Indices)	85021
Hemogram and Manual Differential	85022
Hemogram and Platelet and Manual Differential	85023
Hemogram and Platelet and Partial Automated Differential	85024
Hemogram and Platelet and Complete Automated Differential	85025
Hemogram and Platelet	85027

Urinalysis Tests

Urinalysis	81000
Urinalysis without microscopy	81002, 81003
Urinalysis microscopic only	81015



Jim Guy Tucker
Governor

**Arkansas Department of Human Services
Office of the Director**

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June 18, 1996

Donald L. Dille
Department Of Health & Human Services
Regional Inspector General
for Audit Services
1100 Commerce, Room 4A5
Dallas, TX. 75242

Dear Mr. Dille:

I am responding to your letter dated May 1, 1996, regarding the draft report of reimbursement by the Arkansas Medicaid Program for clinical laboratory services involving chemistry, hematology and urinalysis tests.

In your report, you noted that a sample of 50 claims were reviewed with payment errors found in 31. The recommendations in your report were to first install edits to ensure an appropriate payment method and second, to evaluate if overpayment collection should be made.

Staff of the Arkansas Medicaid Program met with auditors of the Little Rock Office of Inspector General on May 17th to discuss the report and the options available to the state. During this meeting, the state staff explained that the Medicaid Management Information System for claim processing was installing an unbundling software package, commonly known as "Claim-Chek" that would address the findings in the report. The OIG staff concurred with this initiative as an editing step to prevent duplicate payments. This software will be implemented around September 1996. Further, the state staff also said that it is Arkansas' intention to develop this process rather than retrospectively review all payments made for these tests.

I appreciate the opportunity for my staff to review the draft report and to respond accordingly. Please notify me at your convenience of your final determination of this matter..

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Dalton".

Tom Dalton, Director

TD/mm

"The Arkansas Department of Human Services is in compliance with Titles VI and VII of the Civil Rights Act and is operated, managed and delivers services without regard to age, religion, disability, political affiliation, veteran status, sex, race, color or national origin."